

#FSHP2018



## Sleeping Giant

Health System Ambulatory Pharmacy Services

Break Through

Branch Out

## University of Kentucky Healthcare

925 Beds with an ADC of 85%

1M Annual Clinic Visits

90,000 Annual ED Visits

425 Pharmacy Employees

\$225M Annual Drug Budget

7 Retail Pharmacy Operations

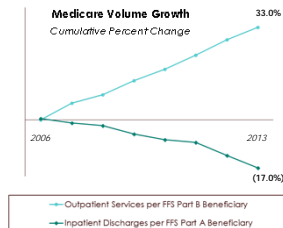
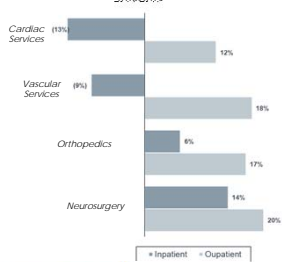
45,000 Prescriptions per Month

\$11M Monthly Operating Margin



## Growth of Outpatient Services

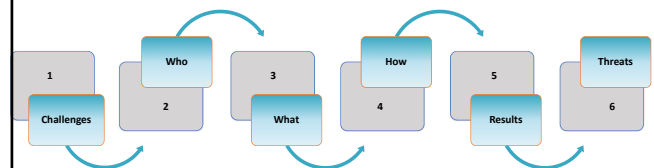
All Payer Volume Growth Projections  
2011-2019



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## Topics for Discussion

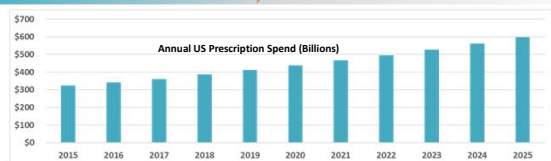


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## Challenges Leading to Opportunities

Hospitals do not optimize Retail Pharmacies	➡	Implement Hospital Based Retail Pharmacy Services
Erosion of Prescriptions to Chain Pharmacies	➡	Expand Retail Pharmacy Footprint
PBM Prescription Steerage	➡	Contract Directly with Health Plans
PBM Owned Specialty Pharmacies	➡	Hospital Operated Specialty Pharmacy
Health Plans Steer Infusions Off Campus	➡	Develop "off campus" operation on campus



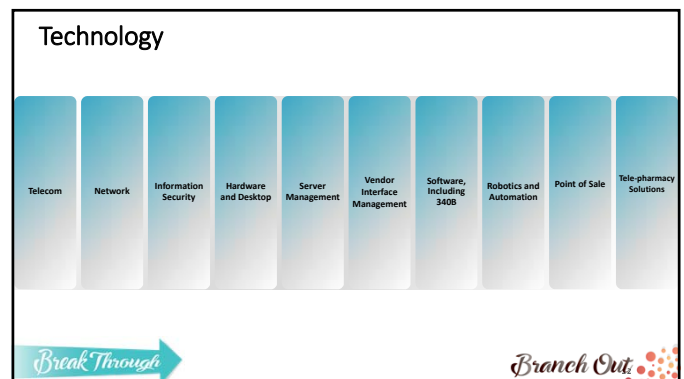
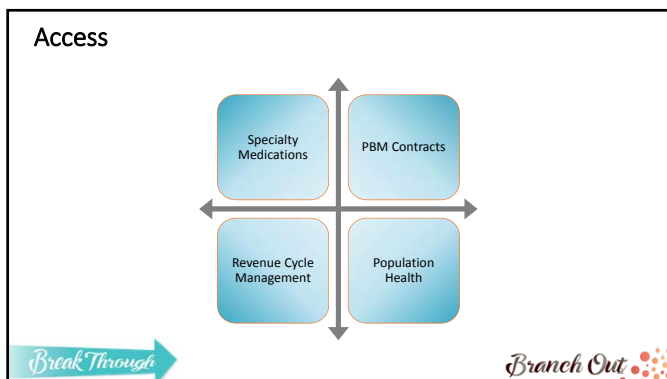
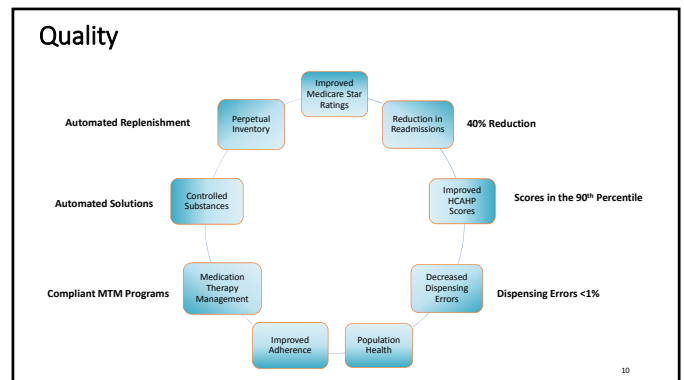
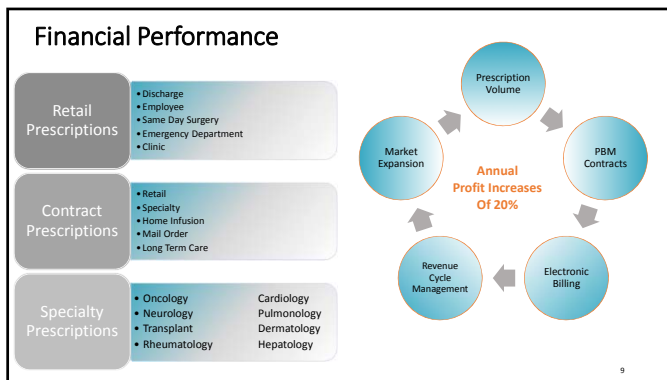
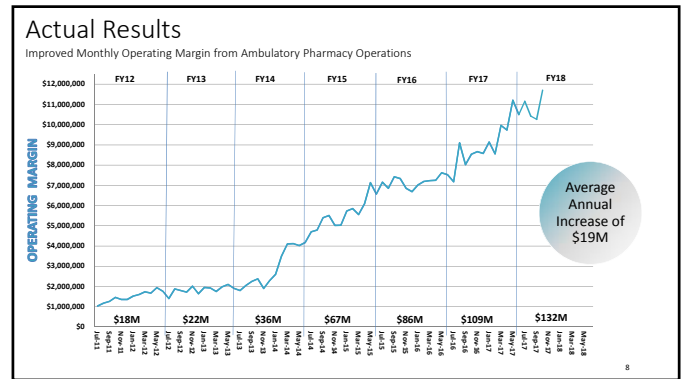
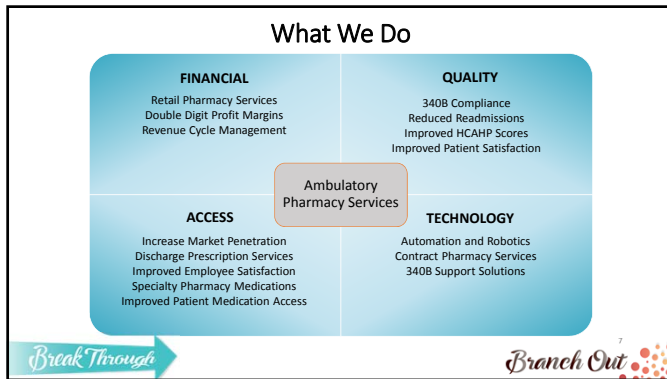
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## Who Are We.....Our Mission

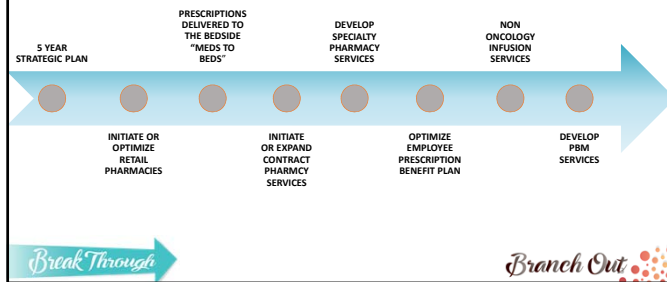
Generate Ambulatory Pharmacy Margins for Health Systems while Improving Patient Access to Prescription Medications, Eliminating Medication Related Readmissions and Reducing Employee Prescription Costs

Break Through

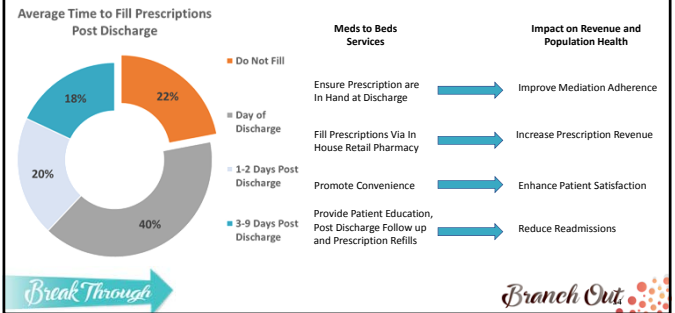
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## How We Do It



## Discharge Prescription Services



## Contract Pharmacy

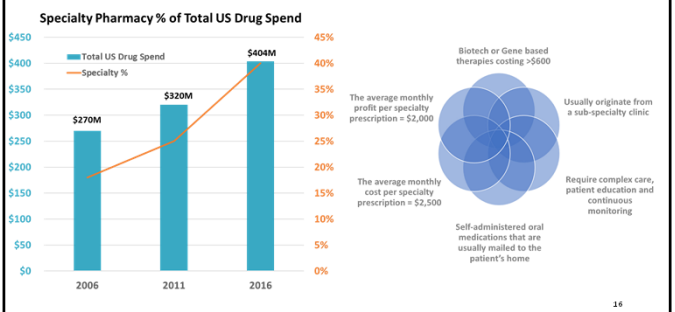


### Contract with external pharmacies to leverage 340B inventory

- Generates margins for the health system
- Requires 340B compliance
- Contract Pharmacy models include:
  - Retail Pharmacy
  - Specialty Pharmacy
  - Home Infusion Pharmacy
  - Ambulatory Infusion Center Pharmacy
  - Mail Order Pharmacy
  - LTC Pharmacy
  - Internal Contract Pharmacy Models

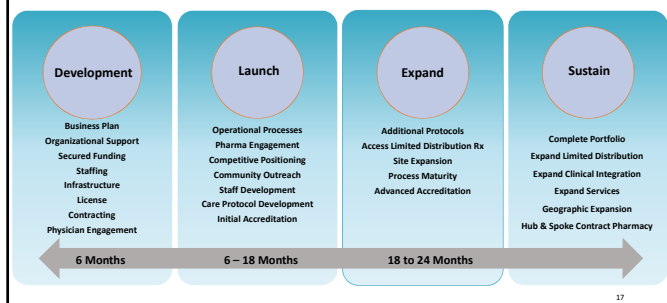
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## Specialty Pharmacy



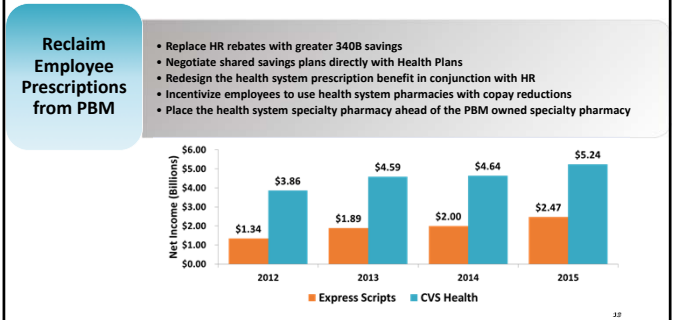
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## Specialty Pharmacy Development / Optimization



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## Employee Prescription Services



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## Non-Oncology Infusion Services

Health Plans Are  
Requiring  
Non-Oncology  
Infusions To Be

Infused Off  
Campus

Billed to PBM

**\$24,751**

The Average Drug Cost Per  
Patient Based Upon The 25 Most  
Frequently Infused Drugs



As a result

- convert medical billing claims to prescriptions
- provide off campus infusion center options
- provide home infusion solutions
- implement pre-authorization services

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## Forces Eroding Health System Prescription Services

### Chain Pharmacies

Walgreen's  
Wal-Mart  
CVS

Outsourcing can be a Trojan Horse  
that redirects prescription volume  
into chain pharmacies

Encircle hospital campus in order  
to divert prescriptions away from  
hospital pharmacies

### Pharmacy Benefit Manager (PBM)

Express Scripts  
Optum  
Caremark

Requires pre-authorization, which  
redirects prescriptions from health  
system pharmacy to PBM pharmacy

Retain manufacturer rebates that  
are not shared with health plan

### Health Plans

Anthem  
United  
Aetna

Build closed networks with PBM  
owned pharmacies to direct  
prescriptions away from health  
system pharmacies

Force non-oncology infusions  
off campus and away from health  
systems to PBM owned infusion  
pharmacies

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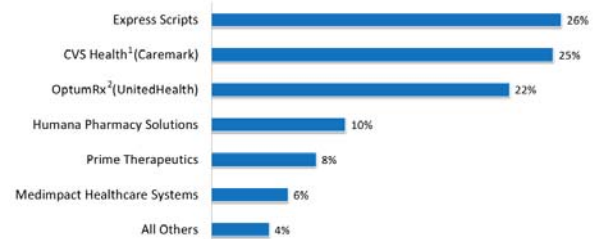
## Largest U.S. Pharmacies Ranked by Total Prescription Revenues, 2015

Company	Stock Ticker	Estimated 2015 Prescription Revenues (billions)	Share of 2015 Prescription Revenues	Primary Dispensing Format
CVS Health Corporation	CVS	\$50.4	13.8%	Chain drugstore
• Retail Pharmacy <sup>1</sup>		\$32.8	9.0%	Mail pharmacy
• Pharmacy Services <sup>2</sup>				
Walgreens Boots Alliance (Retail Pharmacy USA)	WBA	\$54.4	14.0%	Chain drugstore
Express Scripts, Inc.	ESRX	\$40.1	11.0%	Mail pharmacy
Walmart Stores, Inc. <sup>1</sup>	WMT	\$19.9	5.5%	Mass merchant with pharmacy
Rite Aid Corporation <sup>1</sup>	RAD	\$19.3	5.3%	Chain drugstore
UnitedHealth Group (OptumRx) <sup>3</sup>	UNH	\$15.8	4.3%	Mail pharmacy
The Kroger Company	KR	\$9.6	2.6%	Supermarket with pharmacy
Albertsons Companies <sup>4</sup>	Private	\$5.4	1.5%	Supermarket with pharmacy
Target Corporation <sup>5</sup>	TGT	\$4.2	1.2%	Mass merchant with pharmacy
Humana	HUM	\$4.2	1.2%	Mail pharmacy
Prime Therapeutics	Private	\$4.0	1.1%	Mail pharmacy
Diplomat Pharmacy <sup>6</sup>	DPLO	\$3.4	0.9%	Mail pharmacy
Cigna Corporation	CI	\$2.5	0.7%	Mail pharmacy
Costco Wholesale Corporation	COST	\$2.4	0.7%	Mass merchant with pharmacy
Abold USA	AH	\$2.1	0.6%	Supermarket with pharmacy
Total Top 15		\$270.5	74.3%	
Total Pharmacy Industry Prescription Revenues		\$364.1	100.0%	

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## PBM Market Share, by Total Prescription Claims, 2015



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## Insource vs. Outsource

### Health System

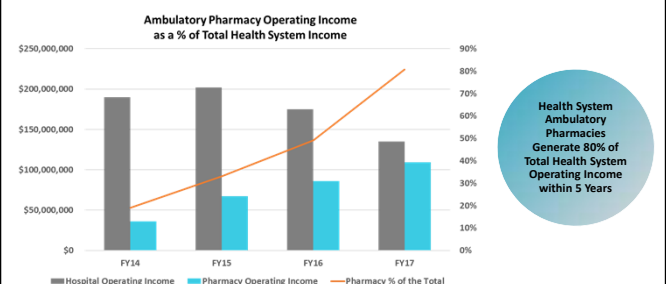
- Meds to Beds Program with Inpatient Integration
- Real-Time 340B prescription qualification
- Prescription Benefit Optimized for Health System
- Central Fill for all pharmacies across Enterprise
- Retain prescriptions within Health System
- Optimize Non-Oncology Infusion Services
- Develop Specialty Pharmacy Services
- Operate Contract Pharmacy Services
- Health System Retains Profits

### Walgreens ♥ CVS

- Meds to Beds Program without Inpatient Integration
- After the fact 340B replenishment
- Prescription Benefit Optimized to Profit Chain Pharmacy
- No Central Fill
- Transfer prescriptions to chain pharmacy locations
- No provision for Non-Oncology Infusion Services
- Transfer Specialty Prescriptions to Chain Pharmacy
- No provision for Contract Pharmacy Services
- Chain Pharmacy Retains Profits

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## Comprehensive Ambulatory Pharmacy Management Substantial to Overall Enterprise - Actual Results



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## Protecting Your Investment 340B Compliance

- Create a 340B steering committee
- Develop a Standard Operating Procedure (SOP) Manual
- Create and perform a self-audit process for retail and contract pharmacy
- Send key members to 340B University
- Conduct one annual external audit

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## 340B Steering Committee

- Shared responsibility with Pharmacy and Hospital Leadership
- Educate leadership regarding current 340B issues
- Provide organizational direction
- Membership could include:
  - The Authorizing Official (AO)
  - Legal
  - Compliance
  - Pharmacy Director and other key pharmacy leaders
  - Finance
  - Purchasing
- Encourage members of this committee to attend 340B University provided by Apexus

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## Next Frontier

- Pharmacy to assume responsibility for non-oncology infusion services
  - Pharmacy to bill PBM's and Medical claims for infusion services
  - Pharmacy to white bag to own pharmacy within narrow networks
- Create an employer sponsored PBM/PBA for employee prescriptions
  - Displace current PBM services
- Provide Specialty Pharmacy and Infusion Pharmacy Services
  - To regional health systems via a contract pharmacy arrangement
- Deploy pharmacists into clinics and bill CMS via Chronic Care Management Agreements

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## Disruptors Eyeing Market Opportunity

amazon

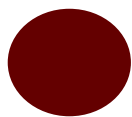
apple WATCH

- Possibly three major exploratory initiatives in the healthcare opportunity:
  1. Online prescription sales from main commerce site
  2. 1492 Labs for development of innovative new healthcare services leveraging Alexa and devices like Echo
  3. Amazon Business selling supplies to hospitals

- With the introduction of the Apple Watch, Apple also introduced Health Kit and Research Kit development programs to harness personal health information for the benefit of consumers and therapy development.
- Where Amazon is likely focused on the direct commerce angle, Apple appears more focused on enabling patients and providers to exchange data more dynamically in order to improve outcomes.

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Unlike Inpatient Pharmacy Services,  
which is a cost center.....

Ambulatory Pharmacy Services  
improves the fiscal health of the  
organizational while expanding  
patient access

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## QUESTIONS

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